GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2298
ANSWERED ON:29.07.2016
Money Laundering and Tax Heavens
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has data relating to investment made in Indian entities/individuals through shell companies registered in tax heavens like Mauritius, Seychelles, Cayland Islands, Leicesterberg and new such centres, if so, the magnitude of such investments;
(b) whether any action has been initiated/steps proposed to be taken to prevent money laundering by such activities, if so, the detailed action plan in this regard; and
(c) whether the Government has any mechanism to quarantine on coming of black money in the Foreign Direct Investment and other foreign investments, and if so, the details of achievement made therefrom during the last two years and the current year?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)

(a) Enforcement Directorate has registered cases under Prevention of Money Laundering Act, 2002 (PMLA) against 01 company for Rs. 18.27 crores and under Foreign Exchange Management Act, 1999 (FEMA) against 15 companies amounting to Rs. 17789.92 crores, who have received FDI from Tax Heavens like Mauritius, France, Cyprus, Singapore, Virgin Islands, Luxemburg, Dubai and Tunisia.
(b) to (c) In recent times, the Government has taken several effective measures, both by way of policy-level initiatives as well as through more effective enforcement action on the ground, to tackle tax evasion, particularly with reference to undisclosed foreign assets/income. These steps include putting in place robust legislative and administrative frameworks, systems and processes with due focus on capacity building and integration of information and its mining through increasing use of information technology. Major initiatives taken by the Government in the recent past include −
(i) Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court,
(ii) Enactment of a comprehensive law − 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' which has come into force w.e.f. 01.07.2015 to specifically and more effectively deal with the issue of black money stashed away abroad,
(iii) Constitution of Multi-Agency Group (MAG) consisting of officers of Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU) for investigation of recent revelations in Panama paper leaks,
(iv) Proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements(TIEAs)/Multilateral Conventions,
(v) According high priority to the cases involving black money stashed away abroad for investigation and other follow-up actions including prosecutions in appropriate cases,
(vi) While focusing upon non-intrusive measures, due emphasis on enforcement measures in high impact cases with a view to prosecute the offenders at the earliest for credible deterrence against tax evasion/black money,
(vii) Proactively furthering global efforts to combat tax evasion/black money, inter alia, by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI) and having information sharing arrangement with USA under its Foreign Account Tax Compliance Act (FATCA),
(viii) Renegotiation of DTAAs with other countries to bring the Article on Exchange of Information to International Standards and expanding India's treaty network by signing new DTAAs and TIEAs with many jurisdictions to facilitate the exchange of information and to bring transparency,
(ix) Enabling attachment and confiscation of property equivalent in value held within the country where the property/proceeds of crime is taken or held outside the country by amending the Prevention of Money-laundering Act, 2002 through the Finance Act, 2015,
(x) Introduction of the Benami Transactions (Prohibition) Amendment Bill, 2015 to amend the Benami Transactions (Prohibition) Act, 1988 with a view to, inter alia, enable confiscation of Benami property and provide for prosecution,
(xi) Initiation of the information technology based 'Project Insight' by the Income Tax Department for strengthening the non-intrusive information driven approach for improving tax compliance and effective utilization of available information.
(xii) The Foreign Exchange Management Act, 1999 (FEMA) has also been amended vide Finance Act, 2015 to the effect that if any foreign exchange, foreign security of any immovable property situated outside India is held in contravention of the provisions of this Act, then action may be taken for seizure and eventual confiscation of assets of equivalent value situated in India. These contraventions are also being made liable for levy of penalty and prosecution with punishment of imprisonment up to five years.